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President: Mr. Akram ..... (Pakistan)

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The meeting was called to order at 4.30 p.m.

Briefing on the *World Economic Situation and Prospects 2005*

1. **Mr. Ocampo** (Under-Secretary-General for Economic and Social Affairs) introduced the *World Economic Situation and Prospects 2005*, which had been drafted by the Department of Economic and Social Affairs, the United Nations Conference on Trade and Development (UNCTAD), and, for the first time, the five United Nations regional commissions. His introduction was accompanied by a PowerPoint presentation; Council members could obtain additional information on the website of the Department of Economic and Social Affairs, un.org/esa/policy/wess.

2. The year 2004 had witnessed a strong recovery in world economic growth, which had been steadily improving since 2001; indeed, at 4 per cent, the growth rate in 2004 had all but regained that of 2000. The surge in growth had been propelled by the dynamism of world trade; the 10 per cent increase in the volume of world trade was attributable to the rising demand in the United States of America for manufactured goods, and to China's increased demand for both oil and non-oil commodities. Those trends were favourable to developing countries, which exported oil and non-oil commodities as well as manufactured goods dependent on natural resources. Oil prices in 2004 were higher than they had been during the Asian crisis years but, in real terms, particularly when compared with the prices of manufactured goods, slightly below the prices in the mid-1970s after the first oil shock and well below the levels reached after the second oil shock. The prices of most non-oil commodities, with the exception of vegetable oil (which had, however, risen sharply in the previous two years), had increased to varying degrees, continuing the trend of the past three years, the weakest recovery had been in the tropical beverages and food sector.

3. As illustrated by the decline in risk premium (yield spreads) in international markets and a measure of recovery in financial flows, on the whole, the financial markets had remained calm but had not been a crucial factor in world economic growth. Moreover, additional flows had been counterbalanced by debt repayments out of the reserves that a number of developing countries and economies in transition, particularly the Russian Federation, had managed to accumulate under those favourable conditions. Thus, in real terms, the financial flows figure had been negative for transition economies and slightly positive for developing countries. The net transfer of resources from those countries to developed countries had reached a record high in 2004 — over $300 billion, marking the seventh consecutive year that funds had flowed from developing to developed countries.

4. The outlook for 2005 was relatively positive in both the developing and transition economies. Even the most vulnerable developing countries — the least developed countries, the small island developing States, the landlocked countries and the sub-Saharan African countries — had all experienced relatively rapid growth rates in the previous year. A universal but limited slowdown in growth was predicted for 2005 nonetheless. A slight decline in the gross domestic product — from 4 to 3.25 per cent — and a moderate slowdown in international trade, from 10 to 8 per cent, would be felt throughout the developing and developed world. Even so, growth would remain robust. Disparities between the developed and developing and transition economies persisted, and there were huge imbalances between the developed countries — for example, the very rapid growth in the United States of America and the slower growth rates in Japan and the European Union countries — the imbalance between the United States of America and Japan was a major factor in the large United States trade deficit. Despite a degree of slowdown, the growth rates of the transition economies remained high, particularly in the Commonwealth of Independent States (over 7 per cent), chiefly as a result of dynamic growth in the Russian Federation. In the developing world as well, growth had been dynamic in all regions, in sharp contrast to the situation several years earlier, when it had been negative in Latin America and relatively slow in West Asia and Africa. In 2004, growth rates had surpassed 5 per cent in all parts of the world, including all vulnerable countries. It was the first time in 25 years that there had been such uniform and rapid growth. In short, 2004 had been one of the best years ever in terms of the world economic situation.

5. As for the analysis of the risks that lay ahead, oil prices were likely to remain at the moderate levels they had achieved by the end of 2004. While there was no fundamental lack of supply, fear and uncertainty surrounding a possible disruption in supply (the fear premium) did constitute a risk. In addition, exchange

rates among the major currencies were likely to be volatile. On average, there would be a very slight decrease in oil prices compared to 2004 levels. The real global imbalance was caused by the large and growing trade deficit of the United States, which stood at over $600 billion. Japan, the European Union and the East Asian countries, excluding China, had all posted trade surpluses. The rapid growth of imports by China would result in a slight reduction in its trade surplus and possibly even a slight trade deficit. He noted that 2005 would be a critical year for China, which had to satisfy trade liberalization requirements in connection with its application for membership in the World Trade Organization (WTO). The trade and current account deficits of the United States, coupled with its significant fiscal deficit, constituted a major risk for the world economy. While it seemed that the United States President planned to take action to reduce the fiscal deficit, the trade and current account deficits were unlikely to improve.

6. That situation was reflected in the behaviour of the financial markets. The correction of the dollar vis-à-vis the yen and the euro had been smooth thus far with no distortions in exchange rate movement; the depreciation of the United States dollar, however, would not make a significant dent in its external deficits. That was mainly because the dollar's movement reduced the competitiveness of the European Union and Japan, which had relied much more on exports and growth in the past. Thus, the uneven growth between the United States and other developed countries was likely to be aggravated by a dollar depreciation. Moreover, owing to the peculiar characteristics of the United States dollar as an international currency, its depreciation would probably result in a positive wealth effect for the United States, as it would benefit from a revaluation of its external assets. The wealth effect would be negative in the rest of the world, as the dollar assets owned in the United States by other countries were worth less in those countries' currencies.

7. There was a need for intensified international cooperation. It was to be hoped that the Group of Eight would produce a collective agreement leading to a reduction in the United States deficit and the adoption of more expansionary policies by the surplus countries to compensate for uneven growth.

8. **Mr. Neil** (Jamaica), speaking on behalf of the Group of 77 and China, expressed the hope that the *World Economic Situation and Prospects 2005* would one day be the focus of more substantive discussions in a reformed Council, and not merely a background document. While welcoming the positive developments in 2004, particularly in the developing countries, he noted nonetheless the disturbing disparities within regions. The disaggregated statistics, in particular, gave cause for concern. He would appreciate an assessment of the impact of the 2004 growth figures on employment and unemployment, which were perhaps better indicators of the economic reality. Since the recovery of commodity prices had been gradual but not astronomical, he wondered whether an economic slowdown in China could affect the demand for, and hence the prices, of commodities. He agreed that greater international cooperation was necessary in view of the possible instability in currency movements. The Council's coordination machinery should be strengthened with a view to formulating effective global policy in that regard.

9. **Ms. Houngbedji** (Benin) asked about the purpose and focus of the *World Economic Situation and Prospects*. In 2004, the least developed countries had been assured that, in 2005, ways and means of providing effective assistance to them would be looked at more closely, but those issues had received very little attention in the report. She asked what the outlook would be for those countries in 2005. Lastly, she requested translation of the report into all six official languages of the United Nations.

10. **Ms. Tamlyn** (United States of America) said that the report accurately identified many positive aspects about the global economy over the previous year. The global economy was stronger than it had been at any time for the past 30 years. Growth was up; there were no major economies in recession; and most economies were growing at a healthy pace, suggesting that global economic growth would continue.

11. Those positive trends had resulted in large part from improved economic policies and economic relations between countries. Her delegation was therefore puzzled by the report's implication that the current international trade environment was characterized by a developed versus developing country dynamic. There was mutual recognition that trade was the single largest contributor to economic development and trade liberalization presented the greatest opportunity for developing countries to be more fully integrated into the global economy.

Moreover, given that trade between developing countries accounted for 40 per cent of those countries' total trade, the report would have been strengthened by a discussion of barriers to trade between developing countries.

12. In addition, the international financial institutions had made an important contribution to the strong global economic situation. Their reforms included more transparent use of large-scale financing from the International Monetary Fund (IMF), the movement towards grants rather than loans at the multilateral development banks and a greater focus on monitoring and measuring results.

13. The report correctly underscored that economic growth was the most important contributor to poverty reduction and emphasized the need to stimulate greater domestic demand to spur such growth. Her delegation would welcome greater emphasis in future reports on efforts to improve the climate for private sector-led growth, in particular domestic reforms and good governance.

14. Her delegation remained concerned about the prominent use of negative net transfers from developing to developed countries as a negative indicator of development progress. Net transfer figures could reflect favourable or unfavourable developments depending on the circumstances. While the report recognized that some of those net transfers were positive, it was still misleading in treating the concept of negative net transfers as a meaningful measure of economic progress.

15. Furthermore, although the report contained a section on innovative sources of financing for development, it did not adequately reflect the serious disagreement over the merits of such schemes. An emphasis on such proposals detracted attention from the more essential work of creating domestic enabling environments to promote the growth that generated the resources for development.

16. Lastly, as a matter of principle, her Government considered that it was inappropriate for the Secretariat to take a position in the report on the issues of the voice, vote and representation of international financial institutions. Despite those shortcomings, however, the report made many useful contributions to understanding the world economic situation, particularly through its emphasis on domestic economic growth and international trade as the key factors for the advancement of developing countries and poverty eradication.

17. **The President** said that it must be underscored that the economic base of low-income countries was small, and therefore the impact of growth on poverty reduction had not yet been substantial. Efforts by the international community to transfer resources to the poorest countries to promote growth would contribute to remedying world economic imbalances.

18. **Mr. Ocampo** (Under-Secretary-General for Economic and Social Affairs) said that the slow growth of employment remained a problem worldwide, particularly for developed countries. The developing countries showed some improvement in the employment situation. However, the term "jobless growth" remained largely applicable.

19. There was no expectation of a slowdown in China. Indeed, it was expected that China would have a growth rate of 8.8 per cent, only slightly less than the rate of 9.2 per cent in 2004. Therefore, the growth rate in China would not weaken commodity prices, which was a critical issue for developing countries. Although there had been significant diversification of manufacturing and services, much of the developing world continued to depend on commodities and expend large resources on manufactures.

20. Concerning the least developed countries, the issue was covered region by region in the report. Chapter IV, Regional developments and outlook, analysed the regions with a large proportion of such countries. The report also studied for the first time all of the vulnerable economies and found that there had been a widespread economic recovery in all categories of economies. The least developed countries and sub-Saharan African countries all showed growth rates of more than 5 per cent. The poorest countries must grow much faster, however. In fact, a study by the United Nations Industrial Development Organization found that some 7 per cent growth was required for such countries to reach the Millennium Development Goals. He would try to find ways of improving the coverage of vulnerable economies, but the main focus of the reports on the world economic situation was on the global economy as a whole and its effects on developing countries.

21. Regarding the concerns voiced by the United States of America, he said that growth had been much more uneven among developed countries than among

developing countries, which was a significant change from two to three years earlier when there had been very uneven growth within the developing world. The uneven growth among developed countries was causing some of the major risks to the economic outlook. The high United States growth rate was one reason for the trade deficit. There was therefore a need for balancing trade. That did not mean, however, that he wished to see a slowdown of the United States economy. Rather the growth of other economies should be stepped up, which was the basic message of the report. The United States of America should continue to be the locomotive of the world economy, together with China, which particularly affected the commodities markets.

22. Negative net transfers of resources were one of the major indicators of the world economy. It has always been assumed that there should be a transfer of resources from the developed to the developing world. The fact that there had been a negative net transfer of resources for seven consecutive years had been positive. However, both the positive and negative factors of net transfers had been analysed.

23. Chapters II and III broadly surveyed trade and finance issues that had been discussed within international financial institutions; the specific issues would be covered in far greater detail in reports by WTO and other international financial institutions. The report did not take a position on the Monterrey Consensus, but referred to the need to broaden and strengthen the participation of developing countries and economies in transition in international economic decision-making and norm setting. There had been no political movement, however, with respect to the Consensus; without such a movement by Member States, the Monterrey goals could not be achieved.

Adoption of the agenda and other organizational matters (E/2005/1 and E/2005/L.1)

24. **The President** drew attention to the draft proposals contained in document E/2005/L.1, submitted by the Bureau on the basis of informal consultations held pursuant to Council decision 1988/77, and subsequently orally revised during informal consultations.

Draft decision I: Substantive session of 2005 of the Economic and Social Council

25. *Draft decision I was adopted.*

Draft decision II: Provisional agenda for the substantive session of 2005 of the Economic and Social Council

26. **The President** said that the provisional agenda for the substantive session of 2005 was contained in chapter II of document E/2005/1, as orally revised, so that the Council would take note of the proposal by the Group of 77 to move item 8 of the agenda to the coordination segment.

27. *Draft decision II, as orally revised, was adopted.*

Draft decision III: Basic programme of work of the Economic and Social Council for 2006

28. **The President** said that the basic programme of work of the Council for 2006 was contained in chapter II of document E/2005/1, as orally revised.

29. *Draft decision III, as orally revised, was adopted.*

Draft decision IV: Working arrangements for the substantive session of 2005 of the Economic and Social Council

30. **Ms. Ramos Rodríguez** (Cuba) said that her delegation could support draft decision IV. The event to consider the issue of the transition from relief to development, referred to in General Assembly resolution 58/114, should not fall under that decision. Rather, it could be included in a separate decision of the Council at a later date.

31. **Ms. Klein** (Observer for Luxembourg), speaking on behalf of the European Union and noting the comments made by the representative of Cuba, said that the decision should be postponed until there was a discussion of what would take place at the event to consider the issue of the transition from relief to development.

32. **The Chairman** said that he took it that the Council wished to postpone taking a decision on draft decision IV in view of its ongoing consideration of the working arrangements for the substantive session of 2005.

33. *It was so decided.*

Draft decision V: Operational activities segment of the substantive session of 2005 of the Economic and Social Council

34. *Draft decision V was adopted.*

Draft decision VI: Theme for the humanitarian affairs segment of the substantive session of 2005 of the Economic and Social Council

35. **The President** said he took it that the Council wished to defer consideration of the draft decision to a later date, pending informal consultations.

36. *It was so decided.*

Draft decision VII: Theme for the regional cooperation item of the substantive session of 2005 of the Economic and Social Council

37. *Draft decision VII was adopted.*

Draft decision VIII: Proposed date of the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions and the World Trade Organization

38. **Mr. Neil** (Jamaica), speaking on behalf of the Group of 77 and China, said that his Group proposed amending the title of the high-level meeting to read: "Special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development". The reasoning for that proposal had been stated repeatedly over the previous two years and needed no further explanation. He hoped that the Council would decide immediately to correct what his Group regarded as an irregularity: the failure to recognize in the title of the high-level meeting the role of UNCTAD in the United Nations system. In his Group's view, the decision was uncontroversial: it would merely reflect the decision of the General Assembly and of the Council to invite representatives of the Trade and Development Board of UNCTAD to attend the meeting.

39. **Ms. Klein** (Observer for Luxembourg), speaking on behalf of the European Union, said that, while the European Union favoured a rapid decision on the title of the meeting and hoped that the spirit of the Monterrey Consensus would be preserved, it would like to consider further the proposal of the Group of 77 and China.

40. **The President** said he took it that the Council wished to defer consideration of the draft decision to a later date, pending informal consultations.

41. *It was so decided.*

Regional cooperation

42. **The President** said he took it that the Council wished to defer to a later date its consideration of draft resolution III contained in addendum 2 to the report of the Secretary-General on regional cooperation in the economic, social and related fields (E/2004/15/Add.2), pending informal consultations.

43. *It was so decided.*

Sustainable development

44. **The President** said he took it that the Council wished to defer to a later date its consideration of the recommendations contained in the report of the Committee of Experts on Public Administration on its third session (E/2004/44-E/C.16/2004/9), pending informal consultations.

45. *It was so decided.*

Coordination segment of the Council: implementation of General Assembly resolutions 50/227, 52/12 B and 57/270 B

46. **The President** said he took it that the Council wished to defer to a later date its consideration of the report of the Secretary-General on the role of the Economic and Social Council in the integrated and coordinated implementation of the outcomes of and follow-up to major United Nations conferences and summits (E/2004/71), pending informal consultations.

47. *It was so decided.*

Excerpt from the report of the Committee on Non-Governmental Organizations on its 2005 regular session (E/2005/L.2/Rev.1)

48. **The President** drew attention to the draft decisions contained in the excerpt from the report of the Committee on Non-Governmental Organizations on its 2005 regular session (E/2005/L.2/Rev.1).

Draft decision I: Applications for consultative status and requests for reclassification received from non-governmental organizations

49. *Draft decision I was adopted.*

Draft decision II: Matters pertaining to reinstatement of the consultative status of non-governmental organizations in cases where consultative status was suspended by the Economic and Social Council

50. *Draft decision II was adopted.*

51. **Mr. Cumberbatch Miguén** (Cuba) expressed the hope that there would be less argument over the provision of services to the Committee on Non-Governmental Organizations in 2005 than there had been in 2004.

Draft decision III: Organization of work

52. *Draft decision III was adopted.*

Elections, nominations, confirmations and appointments

Committee for Development Policy (E/2005/9/Add.1)

53. **The President** said that, as a result of the death of Mr. Eul Yong Park of the Republic of Korea, a vacancy had arisen in the Committee for Development Policy. He took it that the Council wished to approve the nomination by the Secretary-General of Ms. Iskra Beleva of Bulgaria to complete the unexpired portion of Mr. Park's term of office, beginning immediately and ending on 31 December 2006.

54. *It was so decided.*

Governing Council of the United Nations Human Settlements Programme (UN-Habitat)

55. **The President** invited the Council to take action on one of the outstanding vacancies on the Governing Council of UN-Habitat. Sweden had presented its candidacy to fill the vacant seat for the Group of Western European and other States. He took it that the Council wished to elect Sweden by acclamation to the Governing Council of UN-Habitat for a term beginning on the date of election and ending on 31 December 2008.

56. *It was so decided.*

57. **The President**, referring to the remaining vacancies on the Governing Council of UN-Habitat, said he took it that the Council wished to postpone further the election of one member from the Group of Asian States and two members from the Group of Latin American and Caribbean States for a term beginning on the date of election and ending on 31 December 2008.

58. *It was so decided.*

Oral report of the Ad Hoc Advisory Group on Burundi

59. **Mr. Kumalo** (Chairman of the Ad Hoc Advisory Group on African Countries Emerging from Conflict), reporting on the activities of the Ad Hoc Advisory Group on Burundi recalled that, in its resolution 2004/60, the Council had requested the Ad Hoc Advisory Group to continue to follow closely the situation in Burundi and to report to it at its 2005 organizational session. Furthermore, in its resolution 2004/59, the Council had commended the ad hoc advisory groups on African countries emerging from conflict for their work and made recommendations to enhance their effectiveness, including more interaction between the Council and the Security Council. Encouraged by that positive assessment, the Ad Hoc Advisory Group had continued its work.

60. With regard to debt relief, the African Development Bank, with contributions from France and the European Union, had cleared $12 million, or 35 per cent, of Burundi's arrears in October 2004, and resumed its operations in the country after five years of near inactivity. Belgium, Italy, Norway and the United Kingdom had contributed to the Multilateral Debt Trust Fund managed by the World Bank, and Italy and the Russian Federation had entered into bilateral debt alleviation and cancellation agreements with Burundi.

61. The Demobilization, Reinsertion and Reintegration Programme for former combatants had been launched in December 2004 with a grant under the World Bank's Multi-country Demobilization and Reintegration Programme in the Great Lakes Region and with support from the United Nations Development Programme (UNDP). The Multi-Donor Trust Fund was also financing a project for child soldiers implemented by the Burundian authorities and the United Nations Children's Fund (UNICEF). Electoral assistance was being provided by the United Nations Operation in Burundi (ONUB) and UNDP.

62. The transition from emergency relief to development was receiving support from many parts of the United Nations system, and UNDP had launched projects under its Framework Programme of Support to Communities. In 2004, the World Bank decided to grant $40 million for an agricultural rehabilitation and land management project in Burundi, and in November 2004, the Secretary-General had launched the 2005 Consolidated Appeal for humanitarian assistance, with $134 million requested for Burundi.

63. Despite those developments, Burundi's needs were enormous. Ten years of war had displaced one fifth of its population and gravely damaged its physical and economic infrastructure. In 2004 alone, 90,000 refugees from Tanzania and 140,000 internally displaced persons had returned to their communities of origin, placing extra pressure on fragile community resources and on the national authorities. There were few opportunities to stimulate growth, as the economy depended heavily on coffee production. However, Burundi's administrative infrastructure had continued to function, and public spending was well controlled. The peace process had made progress, with a referendum on the Constitution scheduled for 28 February 2005 — to be followed by elections — and contact had been established with the only rebel group still not involved in the process: PALIPEHUTU-FNL.

64. Although the international community had made commitments of $1.032 billion at the Forum of Development Partners of Burundi held in January 2004, support had been slow in materializing. A number of donors preferred to wait to see the outcome of the political process, even though improving economic and social conditions was the best way to support that process. The Ad Hoc Advisory Group urged the Council to encourage the donor community that participated in the Forum to increase disbursements. Donors should help to address structural problems through broader support and increased capacity-building.

65. In its resolution 2004/59 the Council had called for a closer relationship between the Ad Hoc Advisory Group and the United Nations Development Group/Executive Committee on Humanitarian Affairs working group on transition issues. The Ad Hoc Advisory Group had held a meeting with that working group in December 2004, focusing on coordination of activities during the transition phase, particularly by using the United Nations Development Assistance Framework and by coordinating the work of the United Nations agencies with that of ONUB. A briefing had been given by the United Nations Deputy Emergency Relief Coordinator, who had stressed the need for equitable assistance to returnees, a sustainable stabilization process and donor support.

66. The Ad Hoc Advisory Group continued to believe that the people of Burundi must be given real opportunities, and that a comprehensive approach must be taken to peace and development. It hoped to make a second visit to Burundi responding to the invitation made by its President in September 2004.

67. **Mr. Hoscheit** (Observer for Luxembourg), speaking on behalf of the European Union, the acceding countries (Bulgaria and Romania), the candidate countries (Croatia and Turkey), the stabilization and association process countries (Albania, the former Yugoslav Republic of Macedonia, and Serbia and Montenegro) and, in addition, Iceland and Norway, commended the Council's constructive engagement in Burundi through the work of the Ad Hoc Advisory Group. Since the submission of the previous report, a number of positive developments had occurred, inter alia the recent cooperation between the Ad Hoc Advisory Group, the United Nations Development Group and the Executive Committee on Humanitarian Affairs with a view to improving United Nations activities on the ground during the transitional phase. The coordination efforts undertaken by ONUB and various United Nations agencies bore witness to the Organization's experience with the transition from relief to development.

68. The international community, in particular the European Union and its member States, had made considerable efforts in the area of debt relief. However, international support still fell far short of the commitments made in 2004 at the Forum of Development Partners for Burundi and donors were therefore urged to honour those commitments and increase their support.

69. The European Union welcomed the launch of the Demobilization, Reinsertion and Reintegration Programme and, in that context, commended the exemplary cooperation between the United Nations system, the international donor community, the World Bank and the Burundian authorities. Following the arrival of ONUB, the disarmament, demobilization and

reintegration process had been rationalized, restructured and adapted to needs on the ground.

70. Despite a number of outstanding issues and delays, an end to the transition period was in sight. Preparations were under way for elections and disarmament, demobilization and reintegration as well as the security sector reform were progressing. In addition, the fulfilment by ONUB of its mandate as an "over-the-horizon" force was having a positive influence on the process.

71. Since the establishment of the Ad Hoc Groups, there had been considerable developments in the area of post-conflict peacebuilding. In that context, the recommendation of the High-level Panel on Threats, Challenges and Change to establish a Peacebuilding Commission resonated with the determination of the European Union to address the frequently observed institutional gap between the end of armed violence and the return to development activities in a secure environment.

72. **Mr. Nteturuye** (Observer for Burundi) welcomed the Council's ongoing interest in the social and economic situation of Burundi. The peace process in that country was moving forward and elections would be held in April 2005. He urged all stakeholders to continue their support during the post-transitional period and beyond with a view to ensuring future peace and stability.

73. **Mr. Lolo** (Nigeria), speaking on behalf of the African Group, said that considerable progress had been made towards restoring peace and stability to Burundi. However, he was concerned about donors' reticence to commit themselves until they had seen the outcome of the political process, even though the improvement of economic and social conditions was the best way to support that process. It was essential to make human development the focus of assistance and, in that connection, he encouraged all donors to fulfil their commitments.

Report of the Ad Hoc Advisory Group on Guinea-Bissau

74. **Mr. Kumalo** (Chairman of the Ad Hoc Advisory Group on African Countries Emerging from Conflict), introducing the report of the Ad Hoc Advisory Group on Guinea-Bissau (E/2005/8), said that the report covered developments in the work of the Ad Hoc Advisory Group since the submission of its previous report in July 2004 and highlighted some of the challenges facing Guinea-Bissau in its post-conflict transition.

75. On 6 October 2004, an uprising organized by soldiers protesting about salary arrears for their service with the United Nations Mission in Liberia and poor conditions in their barracks had exposed the fragility of Guinea-Bissau's transition to democracy and presented a setback to the Government's efforts to attract international assistance and private investment. Some of the root causes of the incident had been reflected in the Group's previous report to the Council, which had described the security risks associated with the failure to pay salaries, particularly to the military, the appalling living conditions in military barracks and other deplorable conditions of service, and the Group's very first report had also identified socio-economic problems and issues relating to the restructuring of the military as threats to the democratic transition in the country.

76. On the basis of the recommendations of the Ad Hoc Advisory Group, UNDP had created the Emergency Economic Management Fund, which had been vital for the transition in Guinea-Bissau. The Secretary-General had subsequently called for the creation of a special fund to facilitate the planning and implementation of a military reform and the Government of Brazil had donated US$ 500,000 to a special fund set up by the Community of Portuguese-speaking Countries in order to support the restructuring of the armed forces.

77. The Ad Hoc Advisory Group welcomed the decision of the Government of Portugal to host a meeting of the partners of Guinea-Bissau in order to prepare for the round table conference to be held in Lisbon on 11 February 2005. It was hoped that the meeting would provide an opportunity for an exchange of views on the current situation in Guinea-Bissau and for a discussion of ways to assist the Government in three priority areas, namely budgetary support to pay salaries to civil servants, including the military, locust control and security sector reform. A successful meeting would lay the foundation for a concrete demonstration of international support and continued confidence in the Government's efforts to rebuild democracy in Guinea-Bissau. It would also prepare the ground for the full donors round table to be held later in the year, which was critical to the mobilization of resources to support the Government's medium- and

long-term priorities. Modest investment in key sectors could be an important catalyst for relaunching the economy.

78. The Ad Hoc Advisory Group welcomed the supportive and positive approach of the Bretton Woods Institutions. The Executive Board of IMF had agreed in principle to support renewed access by Guinea-Bissau, on an exceptional basis, to Emergency Post-Conflict Assistance, in the context of a concerted international effort by all Guinea-Bissau's development partners, including non-traditional donors and other partners. The Ad Hoc Advisory Group hoped that the Council would once again call on donors to assist Guinea-Bissau.

79. The most recent challenge to the economy of Guinea-Bissau had been caused by the invasion of swarms of locusts, which were attacking flowering cashew nut trees. Cashew nuts were the country's main export and the locust damage could severely reduce production and send the already fragile economy into further crisis. In addition, the locusts were attacking other subsistence crops and undermining food security. The Food and Agriculture Organization of the United Nations was spearheading assistance efforts in that area and Member States were encouraged to lend their support.

80. Despite the setbacks, the Government of Guinea-Bissau had laid the foundations for progress and the country as a whole, including civil society, was committed to preventing further conflict. In addition, the Government's commitment to good economic management and reform, together with the continued involvement of the Bretton Woods institutions, provided a solid basis for renewed international economic and financial confidence. Nevertheless, in view of the forthcoming presidential elections and the anticipated donors round table conference, Guinea-Bissau would continue to merit attention and monitoring. To that end, the Ad Hoc Advisory Group hoped that the Council would consider extending its mandate.

81. **Mr. Cabral** (Observer for Guinea-Bissau) expressed his support for the extension of the mandate of the Ad Hoc Advisory Group on Guinea-Bissau.

82. **Mr. Lolo** (Nigeria) informed the Council that, in October 2004, his Government had contributed $1 million to Guinea-Bissau on a bilateral basis and would continue to support the country. Speaking on behalf of the African Group, he said that the Ad Hoc Advisory Group on Guinea-Bissau had made an extremely positive contribution to developments in Guinea-Bissau and, for that reason, its mandate should be extended until the presidential elections in May 2005.

83. **Mr. Neil** (Jamaica), speaking on behalf of the Group of 77 and China, echoed previous speakers' support for the work of the Ad Hoc Advisory Group on Guinea-Bissau and called for the further mobilization of resources.

The meeting rose at 6.30 p.m.